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SUBJECT: CODEL FRIST MEETING WITH RUSSIAN EXPERTS

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11. (SBU) SUMMARY. In an April 10 breakfast meeting with Codel Frist and the Ambassador, Russian experts described the range of challenges facing Russia in the political, economic, and social sphere. Experts agreed that high oil profits disincline the political leadership to push new policy initiatives. They claimed that Russian foreign policy is not anti-Western, but rather is on an independent trajectory. They described positive economic developments, with a strong banking sector and strong cash flow, and noted social challenges that include the need for a new approach to immigration and greater technical assistance in the health sector. END SUMMARY.

12. (SBU) Senate Majority Leader Bill Frist (R-TN) and Senators Judd Gregg (R-NH) and Richard Burr (R-NC), accompanied by Ambassador Burns, met on April 10 with a group of Russian experts, which included Dr. Aleksey Bobrik of the Globus Consortium; Sergey Riabokobylko, a real estate entrepreneur active in the American Chamber of Commerce and co-founder of Stiles and Riabokobylko real estate firm; Andrey Kortunov of the Eurasia Foundation; Boris Makarenko of the Center for Political Technologies; Anatoliy Vishnevskiy of the Center for Demography and Human Ecology; and Dmitriy Trenin of the Moscow Carnegie Center.

POLITICAL MOOD

13. (SBU) Considering internal political developments, Russia was not moving forward, according to Makarenko. High oil profits allowed the political elite to "sit on the top and enjoy" and reinforced a lack of initiative to introduce change. This resulted in a political system that wasn't being properly exercised. Kortunov agreed that oil money was a major obstacle to structural reform in Russia as it allowed the government to continue to offer social benefits, assuring political loyalty. Despite this, Makarenko believed that market forces and increased openness to the outside world would continue to grow and eventually become dominant.

14. (SBU) According to Makarenko, the most active voters in Russia were retirees, and political leaders were particularly attentive to this group. But pensioners had still not adjusted to reforms introduced in the 1990s. Young people were worrisome, in that they gave significant support to leaders such as nationalist political leader Vladimir Zhirinovskiy. While Zhirinovskiy marketed himself as a

liberal-democrat, he was neither liberal nor a democrat. His ability to attract support demonstrated that he was a talented politician. Once elected, however, he didn't follow through on his promises, instead cooperating with the government. Middle-aged Russians were largely struggling to survive in a changing economy and sought stability. Makarenko predicted more rational political behavior in the long-term, but admitted that "things might get worse before they get better."

RUSSIA'S FOREIGN POLICY

15. (SBU) While Russia was facing internal challenges, it was also encountering a change in its relations with the rest of the world, the experts underscored. Trenin said the early 1990s brought to Russia a new openness to the outside world, after a long period of self-containment. Initially, Russia had followed the Western trajectory, but in the last several years it had gone its own way in the hopes of creating its own "solar system." According to Trenin, Russia's foreign policy was neither anti-Western nor motivated by a desire to recreate the USSR, but rather reflected the expansion of Russia's economic interests and cultural commonalities in the post-Soviet space. Russia's partners needed to take seriously Russia's desire to carve out a niche for itself. Trenin added that as Russia continued on its independent trajectory, it would move closer to China, making China's influence equal to that of the U.S.

16. (SBU) Echoing Trenin's assertion that Russia's intent in the post-Soviet space was not driven by imperialist motives, Kortunov warned that the real challenge for the West derived from the growing feelings of arrogance and isolationism displayed by the Kremlin. The Kremlin was not worried about what the West thought of it and knew that it could not be ignored in the world community. Kortunov emphasized that it was important for the U.S. to encourage openness and engagement in its approach to Russia. One way that the U.S. could engage Russia more effectively was to move from the old model of technical assistance toward a more reciprocal model,

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with Russia sharing its expertise with the U.S. in areas such as emergency disaster response. According to Kortunov, it was important to strengthen the social dimension in the U.S.-Russia relationship.

ECONOMIC ISSUES

17. (SBU) While Russia's political mood was mixed, economic development seemed headed in a more positive direction. Riabokobylko described Russia's main challenge in the economic area as decreasing citizens' dependence on the government for stability of income. Riabokobylko observed that businessmen were increasingly in power in Russia's regions and seemed sincerely interested in developing infrastructure and raising living standards in their cities. The banking sector in Russia was doing well and could be a catalyst for infrastructure development. Russian-owned banks like AlfaBank could even compete with international banks like Citibank.

18. (SBU) While corruption existed in Russia, Riabokobylko argued, it was possible to do business without paying bribes. Favoritism due to local relationships existed, but was hardly unique to Russia. The main challenge for businesses in Russia was to change outside perceptions of Russia as corrupt and focus on its more positive economic developments.

DEMOGRAPHIC CONCERNS

19. (SBU) On the demographic front, Vishnevskiy explained that Russia needed a new approach to immigration. Currently most

immigrants came to Russia from Russian-speaking regions of the post-Soviet space, but Russia needed more diversity in its immigration. Unfortunately, Russian society was not ready for this; public opinion was hostile to increasing immigration due to the absence of previous experience with immigration. Vishnevskiy said that lack of good legislation to control the migration stream complicated the situation. It would be helpful for the U.S. and Russia to share experiences on immigration.

HIV/AIDS

¶10. (SBU) Bobrik agreed that more cooperation between the U.S. and Russia in the health field was possible. Despite the influx of money in the health sector, there was still a lack of experience in the field and, according to Bobrik, the GOR would be receptive to more U.S. technical assistance in this area. Cooperation could also increase regarding vaccine development. Some cooperation already existed through grants and university exchanges, but the lack of English-speakers in the health and science sector limited cooperation in this area.

BURNS